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FOREIGN TRADE OF THE PEOPLE'S DEMOCRACIES, 1938 - 1948

Piotr Czerwinski

In 1938, Denmark's foreign trade was 183 dollars per capita, Switzerland's 160 dollars, Belgium's 146, Great Britain's 122, France's 74, and Czechoslovakia's 44 dollars, while Hungary's was only 30 dollars, Bulgaria's 20, Rumania's 19, and Poland's barely 13.5 dollars.

In 1938, the share in world trade of countries now known as people's democracies was barely 3.8 percent, and their share in European trade (excluding the USSR) was less than 7.3 percent.

In 1946, the dollar value of the foreign trade of the people's democracies was only about half that for 1938, while the physical volume of trade fluctuated between 30 and 40 percent of the prewar volume of exports and imports.

The increase in the value of foreign trade of the people's democracies in postwar years, beginning in 1947 with the introduction of planned economy, is indicated in Table 1 (in round figures):

Table 1. Value of Foreign Trade of the People's Democracies
(in millions of dollars)

Year	Poland		Czechoslovakia		Hungary		Bulgaria		Rumania	
	Value	Index (%)	Value	Index (%)	Value	Index (%)	Value	Index (%)	Value	Index (%)
1938	469	--	647	--	274	--	125	--	286	--
1946	275	100	491	100	77	100	114	100	--	--
1947	578	210	1,151	234	216	281	159	139	96	--
1948	1,056	383	1,507	307	330	429	--	--	--	--

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Under planned economy, their foreign trade in 1948 was almost four times that of 1946. No other European countries showed such a large percentage of increase in their postwar foreign trade, as is seen by comparing the foreign trade indexes given below with those in Table 1.

Index of Foreign Trade
(1946=100)

	1947	1948
Great Britain	132	164
Belgium	179	197
Denmark	121	137
Netherlands	194	237
Norway	168	165

Table 2 shows the share of people's democracies in European trade and world trade in round figures:

Table 2. Dollar Value of Foreign Trade of People's Democracies and Percentage Share in World and European Trade

<u>Year</u>	<u>Value (million dollars)</u>	<u>Percent of World Trade</u>	<u>Percent of European Trade</u>
1938	1,793	3.80	7.28
1946	957*	1.49	3.71
1947	2,300	2.53	6.00
1948	ca 3,140*	--	7.50

* Excluding Rumania

Postwar import and export figures for the people's democracies are given in the table below.

Table 3. Value of Imports and Exports
(in millions of dollars)

	<u>Poland</u>		<u>Czechoslovakia</u>		<u>Hungary</u>		<u>Bulgaria</u>		<u>Rumania</u>	
<u>Year</u>	<u>Im- ports</u>	<u>Ex- ports</u>	<u>Im- ports</u>	<u>Ex- ports</u>	<u>Im- ports</u>	<u>Ex- ports</u>	<u>Im- ports</u>	<u>Ex- ports</u>	<u>Im- ports</u>	<u>Ex- ports</u>
1938	245	224	292	355	126	154	58	66	133	153
1946	149	126	204	287	31	36	62	52	--	--
1947	333	245	576	575	126	90	74	85	61	34
1948	528	528	754	753	167	163	--	--	--	--

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A significant feature of the postwar foreign trade of the people's democracies was the preponderance of imports over exports, while in prewar years the two were almost equal. By the first half of 1948, imports exceeded exports by almost 200 million dollars [sic]. This surplus was covered with credits from the USSR for the most part, but the people's democracies made a great effort to cover the constantly increasing need for imports.

It was extremely important to increase the volume of exports. Excellent results were obtained, especially in 1948. Imports and exports in 1947 and 1948 are expressed below as a percentage of imports and exports in 1946.

	<u>1947</u>		<u>1948</u>	
	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>
Poland	224	194	354	419
Czechoslovakia	282	200	369	262
Hungary	401	253	538	453
Bulgaria	119	164	--	--

In Poland, despite the considerable increase of imports, exports also increased so that a favorable trade balance was achieved.

The efforts of the people's democracies are directed, above all, toward increasing their trade relations with the USSR and with one another.

Table 4 shows the percentage of participation and the value of foreign trade between the people's democracies in the postwar period. (In view of the discrepancies between the statistical data of various countries, preferred treatment was given to data in the following order: statistical data of the Polish Ministry of Foreign Trade; Ceskoslovensky Statisticky Zpravodaj; Gazdasagstatistikai Tajekoztato; Vneshnyaya Torgovlya.)

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Table 4. Foreign Trade Among the People's Democracies

	<u>Poland</u>			<u>Czechoslovakia</u>		
	<u>Percent of Export</u>	<u>Value (million dollars)</u>	<u>Percent of Import</u>	<u>Percent of Export</u>	<u>Value (million dollars)</u>	<u>Percent of Import</u>
Poland						
1946				3.3	4.1	2.0
1947				6.0	14.5	2.5
1948				8.2	43.2	5.4
Czechoslovakia						
1946	0.8	2.3	1.6			
1947	0.9	5.2	1.6			
1948	7.0	53.2	10.1			
Hungary						
1946	3.3	1.3	0.8	33.0	11.8	5.7
1947	4.1	3.7	1.1	12.7	11.4	2.0
1948	2.4	4.0	0.8	12.6	20.7	2.8
Bulgaria						
1946	--	--	--	15.0	7.8	3.8
1947	8.6	7.3	2.2	21.0	17.8	3.1
1948	--	6.1	1.1	--	11.9	1.6
Rumania						
1946	--	0.5	0.4	--	3.8	1.9
1947	1.5	0.5	0.1	14.4	4.9	0.9
1948	--	5.8	1.1	--	29.4	4.0

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<u>Hungary</u>			<u>Bulgaria</u>			<u>Rumania</u>		
<u>Percent of Export</u>	<u>Value (million dollars)</u>	<u>Percent of Import</u>	<u>Percent of Export</u>	<u>Value (million dollars)</u>	<u>Percent of Import</u>	<u>Percent of Export</u>	<u>Value (million dollars)</u>	<u>Percent of Import</u>
1.4	1.8	5.8	0.3	0.4	0.7	0.8	1.0	--
1.4	3.5	2.8	1.2	3.1	4.2	0.2	0.5	0.8
0.8	4.3	2.7	1.4	7.3	--	1.0	5.5	--
2.6	7.6	24.0	2.2	6.2	10.0	1.5	4.3	--
2.8	16.0	12.7	2.2	12.3	17.0	1.4	7.9	13.0
3.0	22.2	12.7	2.1	15.5	--	3.1	23.8	--
--	--	--	--	--	--	--	--	--
--	--	--	1.0	0.9	1.2	3.6	3.3	5.3
--	--	--	1.0	1.1	--	2.4	2.3	--
1.1	0.9	0.7	--	--	--	0.8	0.7	1.1
--	1.6	1.0	--	--	--	--	--	--
9.7	3.3	2.6	3.8	1.3	1.7	--	--	--
--	4.1	2.6	--	--	--	--	--	--

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Trade among the people's democracies showed a marked increase in 1947 and 1948. Poland's participation in the total export increased from 5.8 percent in 1946 to 9.8 percent in 1947 and to 11.4 percent in 1948; Czechoslovakia's increased from 7.1 percent to 7.3 percent to 15.2 percent, respectively. Imports for the corresponding years were as follows: Poland, 2.8 percent, 5 percent, and 13.1 percent; and Czechoslovakia 13.4 percent, 8.5 percent, and 13.8 percent.

The volume of imports and exports of the people's democracies in postwar years is shown in Table 5.

Poland and Czechoslovakia have already exceeded their prewar volume of imports, which indicates that their economies are absorbing a greater volume of essential goods than in 1938.

Table 5. Index of Postwar Imports and Exports of People's Democracies

Year	<u>Poland</u> (1938 = 100)		<u>Czechoslovakia</u> (1937 = 100)		<u>Hungary</u> (1937 = 100)		<u>Bulgaria</u> (1939 = 100)	
	<u>Import</u>	<u>Export</u>	<u>Import</u>	<u>Export</u>	<u>Import</u>	<u>Export</u>	<u>Import</u>	<u>Export</u>
1946	--	38	35	26	14	13	58	34
1947	105	55	77	56	44	23	71	48
1st half 1948	147	84	107	70	54	31	89	70

There have been many basic changes in the categories of goods imported and exported by the people's democracies since the war. With the vast devastation in agriculture, the percentage of exports of food commodities has greatly decreased.

The percentage participation of commodity groups in foreign trade in postwar years is shown in Tables 6 and 7.

Table 6. Percentage Breakdown of Imports by Commodity Groups

Item	<u>Poland</u>			<u>Czechoslovakia</u>			<u>Hungary</u>		<u>Rumania</u>	
	<u>1938</u>	<u>1947</u>	<u>1st Half 1948</u>	<u>1938</u>	<u>1947</u>	<u>1st Half 1948</u>	<u>1938</u>	<u>1947</u>	<u>1938</u>	<u>1947</u>
Raw materials and semi- finished products	51.2	54.2	57.4	61.7	57.3	44.5	57.6	10.8	21.7	35.9
Food	12.6	18.3	20.6	13.3	18.9	36.0	7.3	65.6	5.0	39.5
Finished products	36.2	27.5	22.0	25.2	23.8	19.5	35.1	23.6	72.9	24.6

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Table 7 Percentage Breakdown of Exports by Commodity Groups

Item	Poland		Czechoslovakia			Hungary		Rumania	
	1938	1947	1st Half 1948	1938	1947	1st Half 1948	1938	1947	1938 1947
Raw materials and semi- finished products	51.1	66.4	63.9	30.5	15.0	14.3	23.5	33.2	62.9 55.6
Food	34.1	12.6	15.1	9.5	11.0	2.2	50.8	26.8	34.9 15.8
Finished products	14.8	21.0	21.0	60.0	74.0	83.5	25.7	40.0	2.2 15.6

The percentage of food imports in 1947 was actually much higher than is shown in the above table, which excludes UNRRA food deliveries to Poland and Czechoslovakia. In 1948, however, the export of food commodities from all the people's democracies except Czechoslovakia showed a considerable increase.

The economic plans provide for an increase in agricultural production to a level exceeding prewar production in the near future. As a result, the share of food products in the total volume of exports will increase and their share in the volume of imports will decrease. Another significant feature of postwar foreign trade of the people's democracies is the constant increase in the import and decrease in the export of raw materials and semifinished products. The opposite holds true for finished products. The foreign trade policy aims to eliminate imports of nonessentials and increase imports of raw materials, auxiliary materials, and investment goods.

As shown in Table 7, the percentage share of raw materials and semifinished goods in exports declined during 1948 in Poland, Czechoslovakia, and Hungary, while the percentage share of finished products increased correspondingly.

The geographical distribution of the foreign trade of the people's democracies has also changed considerably, as shown in Table 8.

Table 8. Percentage of Foreign Trade of People's Democracies for Selected Geographical Areas

Year	USSR		Scandinavian Countries		Western Europe		USA	
	Import	Export	Import	Export	Import	Export	Import	Export
Poland								
1938	0.8	0.1	6.0	11.0	47.2	68.7	12.2	5.3
1947	25.3	28.6	23.6	28.7	22.2	28.9	16.1	0.4
1948	22.4	21.0	15.5	26.6	29.6	31.7	7.4	0.3
Czechoslovakia								
1947	6.2	5.1	12.1	11.6	39.2	41.4	10.2	4.4
1st half 1948	15.6	15.9	8.9	6.8	34.2	29.1	4.8	3.1

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Table 8. (Contd)

<u>Year</u>	<u>USSR</u>		<u>Scandinavian Countries</u>		<u>Western Europe</u>		<u>USA</u>	
	<u>Import</u>	<u>Export</u>	<u>Import</u>	<u>Export</u>	<u>Import</u>	<u>Export</u>	<u>Import</u>	<u>Export</u>
Hungary								
1938	--	--	6.1	7.2	34.0	42.3	27.0	1.5
1947	11.8	15.0	6.5	7.0	38.0	48.5	18.4	1.3
1st half 1948	19.0	16.9	5.0	5.0	55.9	45.7	4.0	1.2

Before the war, the USSR's participation in the foreign trade of Poland, Czechoslovakia, and Hungary was less than one percent. In the postwar years foreign trade with the USSR has increased. The USSR supplied not only cotton, wool, iron and other ores, alloys, nonferrous metals, petroleum products, machinery, and electrical and transportation equipment, but also grain, which in 1947 was unobtainable anywhere else in the world. The people's democracies supplied the USSR with coal, coke, oil, chemical products, textiles, leather goods, machines, etc.

While in 1947 the USSR's participation in the trade of Czechoslovakia and Hungary was 7 and 12.9 percent, respectively, in 1948 it had risen to 15.8 and 16.1 percent, respectively. With 1945 as 100, the index of foreign trade between the people's democracies and the USSR is as follows: 1946 - 241.9; 1947 - 227.3, 1948 - 346.4.

It is expected that mutual trade will continue to increase, since the USSR is the chief supplier of raw materials, consumers' goods, and investment goods. Most of the investment goods and heavy industrial equipment for the fulfillment of Poland's Six-Year Plan will come from the USSR, including complete factory installations and machinery for the metallurgical, coal, chemical, cement, automotive, electric power, paper, and other industries. Long-termed credits extended by the USSR at low rates of interest for the purchase of grain, investment goods, etc., have further stimulated trade with the USSR.

The discriminatory policy of the US is responsible for the sharp decline in the foreign trade between the people's democracies on the one hand and the Western European countries and the US on the other. The US has not only refused credits and export licenses for strategic or military goods, but in practice has extended the restriction to a wide range of goods which have no military significance, including drilling, mining, pharmaceutical, medical, and hospital equipment.

The Scandinavian countries on the whole are maintaining their prewar trade volume with the people's democracies. On the other hand, there is a marked tendency in the people's democracies to increase their trade with overseas countries, excluding the US.

The question arises as to the possibilities of further expansion of mutual trade within the people's democracies. Table 9 compares the supply and demand in the people's democracies of certain commodity groups which to date have entered into their trade transactions.

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Table 9. Trade of People's Democracies in 1947 According to Selected Commodity Groups
(in millions of dollars)

Commodity Group	<u>I m p o r t s</u>					<u>E x p o r t s</u>					Total Demand	Total Supply
	<u>Poland</u>	<u>Czecho-slovakia</u>	<u>Hungary</u>	<u>Bulgaria</u>	<u>Rumania</u>	<u>Poland</u>	<u>Czecho-slovakia</u>	<u>Hungary</u>	<u>Bulgaria</u>	<u>Rumania</u>		
Coal and coke	--	10.6	9.0	--	3.2	132.8	12.5	--	1.1	--	22.8	146.4
Tobacco	8.5	41.0	.	--	--	--	--	--	69.0	--	49.5	69.0
Footwear	0.3	--	--	--	0.7	--	13.0	--	--	--	1.0	13.0
Paper	--	--	4.0	3.8	0.4	0.7	--	--	--	--	8.2	--
Machines	9.1	--	4.5	10.5	5.4	0.5	17.6	1.0	--	--	29.5	19.1
Transport equipment	16.4	--	10.9	7.4	2.8	--	15.6	--	--	--	37.5	15.6
Chemicals	13.7	23.8	3.2	8.8	1.9	0.7	9.2	1.4	--	0.4	51.4	11.7
Lumber and wood products	10.2	2.7	6.3	--	--	0.7	29.4	1.9	0.6	7.8	9.2	40.4

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An analysis of the total supply and demand of the people's democracies in 1947 for the commodities listed in Table 9 indicates that the demand for coal, tobacco, footwear, and paper could have been fully covered within the democracies. The trade volume for these commodities among the people's democracies could have been about 72 million dollars. The demand for machines, transportation equipment, and chemicals could have been covered only 50 percent [or less], even without considering specified types. However, since many types of machines and many chemicals have never been produced by the people's democracies, trade in these commodities among the people's democracies could have amounted to only 22-23 million dollars. The demand for petroleum products, iron, steel, and steel products greatly exceeds the supply. Inasmuch as these commodities and timber constitute sources of free foreign exchange for the exporting people's democracies, only part of these goods could have been exported to other people's democracies. However, 40-50 percent of these commodities could have been exchanged among the people's democracies without harm to the exporter and would amount to approximately 28-32 million dollars. Taking only the few commodities mentioned above into consideration, trade among the people's democracies could have reached 122-125 million dollars. However, although other commodities such as food, oleaginous seeds, ores, metals, textiles, etc., were also part of the trade among the people's democracies, the actual trade amounted to only 119 million dollars.

It is apparent that there were great possibilities for expansion in foreign trade in 1947 and even in 1948, although the volume of trade in 1948 was greater than in 1947.

The problem facing the people's democracies is the removal of obstacles which at present hamper the full realization of trade possibilities, such as high prices, inferior quality, delay in deliveries, etc. A problem of vital importance is to plan the assortment of export commodities according to the needs of the importing people's democracies.

It is obvious that even expanded and efficient trade planning can hardly satisfy all the requirements of the people's democracies for investment goods, equipment, and raw materials, with their present lack of experience in planning, science, organization, etc. The assistance of the USSR will be even more necessary as the people's democracies advance toward socialism.

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